

Message Text

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ACTION OPIC-06

INFO OCT-01 ARA-06 ISO-00 EB-07 COME-00 TRSE-00 AID-05

SSO-00 /025 W

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O 072030Z JUL 75

FM AMEMBASSY KINGSTON

TO SECSTATE WASHDC NIACT IMMEDIATE 8184

C O N F I D E N T I A L KINGSTON 2579

E.O. 11652: GDS

TAGS: EMIN, EINV, JM

SUBJECT: REVERE SHUTDOWN

REF: STATE 148138

1. REVERE VICE PRESIDENTS ALBERT MOLOWA, WALTER BRINT, AND (FNU) RENTSCH, WHO ARRIVED IN ISLAND JULY 3 TO DISCUSS REVERE SHUTDOWN WITH GOJ, HAVE RETURNED TO U.S. HAVING FAILED IN THEIR EFFORTS TO ARRANGE MEETINGS WITH PM MANLEY AND BAUXITE COMMISSION FOR JULY 7.

2. AT MY REQUEST MOLOWA AND COLLEAGUES MET WITH ME AT RESIDENCE JULY 4 TO PROVIDE INFORMATION TO EMBASSY ON "STATE OF PLAY" AND AFFOR OPPORTUNITY FOR ME TO BRIEF THEM ON CURRENT GOJ ATTITUDES. MOLOWA SAID THAT AS GOJ HAD FAILED TO GRANT PRODUCTION LEVY RELIEF REQUESTED BY REVERE AND HAD NOT COME UP WITH ANY COUNTER-PROPOSALS, REVERE WOULD PROCEED WITH PLANT SHUTDOWN. BY LETTER DATED JULY 4 TO PM MANLEY AND BAUXITE COMMISSION, THYE INFORMED SHUTDOWN OF AT LEAST SIX MONTHS DURATION WOULD COMMENCE JULY 8. "LOW JTFGZ PUBLIC ANNOUNCEMENT TO THAT EFFECT WILL BE ISSUED TOMORROW AND HUGH SHEARER, HEAD OF BITU, WHICH REPRESENTS MAJORITY OF PLANT WORKERS, IS BEING INFORMED TODAY.

3. MOLOWA SAID 606 LOCAL REVERE EMPLOYEES BEING GIVEN TWO WEEKS NOTICE. WORK FORCE WILL BE REDUCED TO 100
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WITHIN FOUR WEEKS OF NOTICE, AND TO 50 BY END OF SIXTH

WEEK. REVERY ANTICIPATES SHARP WORKER REACTION TO LAYOFFS AND IS CONCERNED FOR SAFETY OF 35 EXPATRIATE EMPLOYEES FOR WHOM THEY HAVE REQUESTED POLICE PROTECTION. I REQUESTED, AND WAS PROMISED, COMPLETE LIST OF EXPATRIATES AND FAMILIES SO THAT WE MAY ASSIST IN THE PLANNING FOR THEIR SECURITY AND DEPARTURE IF THREAT MATERIALIZES.

4. I INFORMED MOLOWA THAT WE HAD JUST LEARNED INFORMALLY THAT GOJ WAS BITTER AND FELT REVERE HAD ACTED IN TWO-FACED MANNER. SPECIFICALLY, GOJ MAY HAVE BEEN WILLING TO DISCUSS A SHUTDOWN IF REVERE HAD TOLD THEM THEY WERE SIMULTANEOUSLY SHUTTING DOWN THEIR SCOTTSBORO PLANT, BUT THEY WEREN'T AND WOULDN'T. GOJ HAS KNOWN FOR SOME SIX MONTHS, FROM THEIR OWN JAPANESE SOURCES, THAT THE JAPANESE HAD PULLED OUT OF THE PROJECTED EXPANSION OF THE JAMAICAN AND SCOTTSBORO OPERATIONS, BUT REVERE HAD NEVER SO INFORMED GOJ AND WENT RIGHT ON ACCEPTING THE CONCESSIONAL RATE ON THE LEVY GRANTED TO THEM WITH THE UNDERSTANDING THAT THE EXPANSION WOULD ULTIMATELY TAKE PLACE. WHILE GOJ OFFICIALS HAVE INDICATED THAT REVERE WOULD NOT BE PERMITTED TO SHUT DOW, THEY ALSO POINT OUT THAT THE GOJ WAS NOT INTERESTED IN BUYING THE PLANT.

5. MOLOWA REPLIED THAT THE JAPANESE HAD NOT YET REJECTED THE EXPANSION PROPOSALS AND THAT HE, HIMSELF, WOULD BE GOING TO JAPAN ON JULY 18 FOR FURTHER DISCUSSIONS. AS FOR A PRO RATA CUTBACK IN JAMAICA AND AT THE SCOTTSBORO PLANT, MOLOWA EXPLAINED THAT IT WAS JUST NOT POSSIBLE AS REVERE WAS NOT IN THE SAME POSITION TO DO SO LIKE THE OTHER ALUMINUM COMPANIES. HE SAID THAT REVERE HAD OFFERED THE GOVERNMENT TO KEEP THE PLANT OPEN, AT LEAST UNTIL THE END OF THE YEAR, IF GIVEN RELIEF FROM THE PRODUCTION LEVY. THE INITIAL RESPONSE FROM BAUXITE COMMISSION MEMBERS ROUSSEAU AND MATALON WAS FAVORABLE, BUT THE PRIME MINISTER PERSONALLY HAD REJECTED THIS ALTERNATIVE.

6. MOLOWA SAID REVER VALUES ITS JAMAICAN OPERATION AT APPROXIMATELY \$100 MILLION (\$90 MILLION DEPRECIATED BOOK VALUE PLUS \$10 MILLION OF WORKING CAPITAL AND SUPPLIES). HIS PRIMARY CONCERN AT THIS TIME IS THAT REVERE, BY FAILING TO FULFILL THE MINIMUM PRODUCTION LEVY, CONFIDENTIAL

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WILL LOSE ITS MINING RIGHTS AS IS PROVIDED FOR UNDER THE MINING (AMENDMENT) (NO.2) ACT, 1974.

7. COMMENT: I AM MOST CONCERNED BY THE TOTAL BREAKDOWN OF THE REVERE-GOJ NEGOTIATIONS AND THE APPARENT "SCREW-'EM" ATTITUDE APPARENTLY BEING DISPLAYED BY BOTH SIDES. PRECISELY HOW MANLEY WILL REACT TO THE IMMINENT REVERE SHUT-DOWN IS HARD TO PREDICT, BUT I SUSPECT IT WILL BE FORCEFUL

AND ADVERSE TO USG INTERESTS. GIVEN THE GOJ'S LACK OF INTEREST IN PURCHASING THE INEFFICIENT REVERE OPERATION, THE GOJ MIGHT WELL STRIP REVERE OF ITS MINING RIGHTS AND THUS STICK IT WITH AN EXPENSIVE PLANT WITH NO BAUXITE TO PROCESS. MY FEAR IS THAT IF THE MINING RIGHTS WERE LOST, REVERE WOULD TAKE THE POSITION THAT THE GOVERNMENT'S ACTION WAS EXPROPRIATORY IN NATURE AND WOULD CLAIM TO OPIC FOR COMPENSATION (\$61,143,500) UNDER ITS EXPROPRIATION INSURANCE.

8. FOREGOING GRIM SCENARIO IS ONLY CONJECTURE AT THIS POINT, BUT IS A REAL POSSIBILITY. I FEEL REVERE WOULD NOT BE ADVERSE TO PLAYING IT OUT AS THEY WOULD RECOUP SIXTY CENTS ON THE DOLLAR AND UNBURDEN THEMSELVES OF AN UNPROFITABLE LOCAL OPERATION.

9. HAVING ALREADY INFORMALLY OFFERED OUR "GOOD OFFICES" TO BOTH SIDES AND GOTTEN A POLITE THANKS, BUT NO THANKS, THE EMBASSY DOES NOT SEE ANY MORE IT CAN DO UNTIL THE GOJ FORMALLY REACTS TO THE REVERE SHUTDOWN. EMBASSY WOULD APPRECIATE ANY COMMENTS OR SUGGESTIONS DEPARTMENT MAY HAVE, AS WELL AS BEING INFORMED ON ANY REVERE CONVERSATIONS WITH OPEC.

10. PETER GILBERT, OPIC SENIOR COUNSEL HAS ARRIVED PER SCHEDULE, HAS BEEN INFORMED OF ABOVE, AND IS CONSULTING WITH EMBASSY ON POSSIBLE NEXT STEPS.
GERARD

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ALUMINUM, BAUXITE, DISPUTES, MINING INDUSTRY, DIPLOMATIC DISCUSSIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 07 JUL 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975KINGST02579
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750234-0326
From: KINGSTON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750781/aaaacurp.tel
Line Count: 143
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION OPIC
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 STATE 148138
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 10 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10 SEP 2003 by KelleyW0>; APPROVED <11 SEP 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: REVERE SHUTDOWN
TAGS: EMIN, EINV, JM, REVERE, (MOLOWA, ALBERT), (BRINT, WALTER), (RENTSCH)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006